

A Newton's cradle with five silver spheres hanging from thin wires. The spheres are in motion, with the one on the right blurred to indicate speed. The background is a light gray with a subtle gradient and a thin orange vertical stripe on the left side.

Cooperative Banks:

The strength of impact factors on the cooperative value orientation and their effects on the behavior of cooperative members

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SUMMARY

Cooperative banks: The strength of impact factors on the cooperative value orientation and their effects on the behavior of cooperative members

This dissertation describes a study about the factors that influence the cooperative value orientation of the Board of Directors, Supervisory Board, Member Council and members of local cooperative banks. Research has been conducted on the impact of these factors on the behavior of members towards the local cooperative bank.

In general, we distinguish two types of banks: commercial banks and special banks. The cooperative bank can be considered as special because of the unique relationship with its members: members have four roles towards the cooperative bank. They are owner, customer, supervisor and stakeholder (being member of the community). The cooperative bank has been founded by and for its members, and instead of aiming for profit maximization, its purpose is to stimulate the economic welfare of the members. Cooperative banks insufficiently benefit from this special relationship.

This empirical research aims to gain knowledge regarding factors that influence the behavior of members. This consists of financial behavior (such as purchasing more products/services from the bank) as well as non-financial behavior (such as participating in cooperative activities). In the academic research reported here the local cooperative banks from the Netherlands and Germany are compared with one another regarding their value orientation. This has not been found in other academic research. The 'extra' of the cooperative bank, compared to commercial banks, is the cooperative value orientation. Three parties (the members, the Board of Directors and the Supervisory Board) each have their own value orientation that influences the behavior of each other towards the cooperative bank. The reasons behind the differences in the value orientation are subsequently explained. For this research, a new conceptual model has been developed (the conceptual model is a diagram depicting all the concepts to be studied, as well as the relationships that can be determined between these concepts).

This empirical research is relevant for practical and scientific reasons. The scientific relevance relates to the lacunas in the current knowledge regarding the value orientation and behavior of the members, the Board of Directors and the Supervisory Board in the domain of the local cooperative banks in Germany and the Netherlands. The practical relevance concerns the sub-optimal realization of the benefits of the unique relationship the local cooperative bank has with its members. If the local cooperative banks had optimal benefit from the relationship with its members, this would result in a better financial performance for the bank compared to their current performance due to more sales per member, a higher member-customers' ratio, a longer average relationship in doing business with members, and more involvement of members in cooperative activities. This would improve their performance in relation to market share of deposits, loans and other financial products/services.

The research consists of two studies. Study I used a qualitative approach to verify the external validity and the completeness of the conceptual model, specifically whether it applies to local cooperative banks in Germany and the Netherlands. This research is further used to gather qualitative insights into the structure of the system of values within the local cooperative bank in the Netherlands and Germany from the perspective of the banks. The outcomes of Study I form input for Study II, which takes a quantitative approach.

For Study I, several local cooperative banks in the Netherlands and Germany have been studied by conducting interviews with Board of Directors and Supervisory Boards. Banks were selected with different sizes and geographical spread.

Among the outcomes of Study I are the following. To a large extent, German and Dutch local cooperative banks are considered to be equal on aspects such as type of organization, the products/services provided, membership, etc. But this research shows differences with regard to the cooperative value orientation on many aspects, such as where these banks differentiate themselves from the commercial banks, how these banks create member value,

how members are involved within the local cooperative bank, how the cooperative banks in these two countries deal with the relevance of the difference between members and customers, and how these banks communicate with their members about member value created, as well as what members consider an important driver for their membership.

The empirical results led, for the three sub-groups, to the conclusion that the conceptual model is recognized, is clear and considered to be complete and correct by all three expert sub-groups (Dutch Board of Directors, Dutch Supervisory Boards and German Board of Directors). Study I confirmed the approach used for Study II.

Study II takes a quantitative approach. While Study I developed definitions and relations within a conceptual model, Study II confirmed these definitions and relations. For Study II, questionnaires for the Dutch sub-groups (members and Member Council) were developed. For Germany, secondary data could be used based on the outcomes of a questionnaire for members of German local cooperative banks. The German questionnaire could be used for this empirical research because the questions relate to the same concepts, populations and definitions. With outcomes of the quantitative research, several comparisons can be made regarding the value orientation.

Study II provided a number of results in answering the research questions:

- This study has led to the validation of a substantial part of the conceptual model. Four out of five concepts of the conceptual model remained in the Final Model.
- That cooperative principles are an important part of the cooperative bank norms within a local cooperative bank. It further showed that there is a significant influence of cooperative principles on the cooperative bank norms.
- Cooperative values have an indirect effect on cooperative principles. No effect has been found between cooperative ideology and cooperative principles.

When comparing the Final Models of the three sub-groups (Dutch Members, Dutch Member Councils and German Members), one Core Model has been developed, which applies to the three sub-groups.

The results of Study II showed that there are, to a great extent, similarities between the Final Models of the Dutch Members and the Member Council. The difference between the models of Dutch Members and German Members is considered moderate.

The research leads to several recommendations for future academic research and recommendations for cooperative banks.

Further research could be performed with regard to comparing members of local cooperative banks with customers of commercial banks regarding their value orientation. In addition, qualitative research can be performed among local cooperative banks in Germany by involving the sub-group Supervisory Board. This sub-group could be studied for their value orientation by verifying whether they consider the Final Model of this study as complete and correct. Further, as part of a quantitative research, a survey among German Member Councils could be performed regarding their member value orientation. This study could also be performed regarding the Final Model.

Among the recommendations for cooperative banks, Dutch banks should communicate clearly about the member value created (especially on stimulating the local economy) and present this information structurally and more prominently to their members. In addition, Dutch banks should further embed the cooperative factor by putting more emphasis on educating personnel about the cooperative model and the specifics of being a cooperative organization.

German banks are recommended to add to their appreciated cooperative activities a more business approach in stimulating the local economy by connecting people and ideas. In addition, German banks should start an internal governance discussion whether it is useful to involve the members of the Member Council as (i) a sparring partner on how the bank could further improve its service; and as (ii) a means to obtain structural information about relevant developments in the region.

TABLE OF CONTENTS

CHAPTER 1	Introduction	1
1.1	Motivation of the research	1
1.2	Cooperative banking	3
1.3	Key-problem Statement	7
1.4	Relevance of the research	9
1.5	Research design	11
1.6	Overview of the chapters	15
CHAPTER 2	Literature review	18
2.1	Introduction to Cooperative banks	18
2.2	The concept of Member behavior	18
2.2.1	Introduction	18
2.2.2	Elements and definitions of Member behavior	18
2.3	Concept of Member commitment	20
2.3.1	Introduction	20
2.3.2	Elements and definitions of Member commitment	21
2.4	Concept of Member preferences	22
2.4.1	Introduction	22
2.4.2	Elements and definitions of Member preference	22
2.5	Concept of Perceived member value	24
2.5.1	Introduction	24
2.5.2	Elements and definitions of Perceived member value	24
2.6	Concept of Normative system of beliefs	26
2.6.1	Introduction	26
2.6.2	Cooperative bank norms	27
2.6.2.1	Introduction	27
2.6.2.2	Elements and definitions of Cooperative bank norms	28
2.6.3	Cooperative ideology	29
2.6.3.1	Introduction	29
2.6.3.2	Elements and definitions of Cooperative ideology	29
2.6.4	Cooperative values	30
2.6.4.1	Introduction	30
2.6.4.2	Elements and definitions of Cooperative values	31
2.6.5	Cooperative principles	32
2.6.5.1	Introduction	32
2.6.5.2	Elements and definitions of Cooperative principles	32
2.6.6	Normative system of beliefs	33
2.6.6.1	Introduction	33
2.6.6.2	Definitions and the development from Cooperative bank norms towards a Normative system of beliefs	33
2.6.7	Summary of literature of Cooperative banking norms and Normative system of beliefs	34
2.7	The conceptual model	36
CHAPTER 3	Study I: Method	44
3.1	Introduction	44

3.2	Purpose of the qualitative research	44
3.3	Research questions	45
3.4	Conceptual model	46
3.5	Research approach	46
3.6	Sample design	48
3.7	Method of qualitative data collection	50
3.8	Checklist	50
3.9	Analysis strategy	51
CHAPTER 4	Study I: Results	52
4.1	Introduction outcomes qualitative research	52
4.2	Categories derived from literature versus interviews	52
4.3	Analysis strategy	52
4.4	Net realized sample	53
4.5	Outcomes of the interviews	55
4.5.1	Completeness and correctness of conceptual model	56
4.5.2	Member behavior	59
4.5.3	Member commitment	62
4.5.4	Member preferences	64
4.5.5	Perceived member value	68
4.5.6	Normative system of beliefs	72
4.6	Other Findings	78
4.7	Theoretical Definitions	79
CHAPTER 5	Study II: Method	81
5.1	Goal and Research questions	81
5.1.1	Goal of the Research	81
5.1.2	Research questions	82
5.2	Conceptual model	84
5.3	Method of Data Collection	85
5.3.1	Method of quantitative data collection	85
5.3.2	Research approach	85
5.4	Survey Design and Sample Design	86
5.4.1	Secondary data	86
5.4.2	Sample design and survey design	87
5.4.3	Operationalization of the Survey	90
5.5	Analysis strategy	91
CHAPTER 6	Study II: Results	95
6.1	Analysis Design	97
6.2	Sample	98
6.2.1	Evaluation of the Samples of the Three Sub-groups	98
6.2.2	Conclusion quality sample	100
6.3	Results of the Statistical Test of the Full Model	100
6.3.1	Statistical Assumptions Underlying SEM and Descriptive Statistics	101
6.3.2	Analysis Step Format of the Results	103
6.3.3	Step 1: General Measurement Model	104
6.4	Overview Results of Dutch Members	107
6.5	Overview Results of Member Council	121
6.6	Overview Results of German Members	131
6.7	A comparison of the three Final Structural Models	141
6.8	Multi Group Analysis	143

6.8.1	Core model	144
6.8.2	Visual inspection of comparing the Equal Loading Model with the Core Model	148
6.8.3	Goodness-of-fit	150
6.8.4	Visual inspection of comparing the Final Structural Models with the Multi Group Analysis	150
6.8.5	Conclusion Multi Group Analysis	152
6.9	Additional comparisons: examining the mean scores of the concepts with respect to the sub-groups	152
CHAPTER 7	Conclusions	155
7.1	Conclusions Study I	155
7.2	Conclusions Study II	158
7.2.1	Answering the Research Questions and Testing the Hypotheses Study II	158
7.3	Results and Conclusion Other Sub-groups	166
7.4	Conclusion of the Results of the Eight Statistical Tests of Other Sub-groups	167
CHAPTER 8	Discussion, Limitations and Recommendations	168
8.1	Post Hoc Explanations for Study I	169
8.2	Post Hoc Explanations for Study II	176
8.2.1	Contributions to current academic knowledge	177
8.2.2	Research Outcomes in the Light of the Hypotheses	180
8.2.3	Post Hoc Explanations for Differences Between the Initial Measurement Model and the Final Structural Model	185
8.2.4	Post Hoc Explanations for Differences Between the three Final Structural Models	189
8.2.5	Revision of the Model: Explanation of Relationships	192
8.2.6	Final Remarks Study I and II Regarding the Final Model	195
8.3	Limitations	196
8.4	Theoretical Recommendations	198
8.5	Practical Recommendations	200
SAMENVATTING		204
ANNEX		208
	References	208